

Macro Group Pharmaceuticals (Macro Capital) S.A.E. reports strong year-end results for 2022, delivering double-digit top-and-bottom-line growth year-on-year

Cairo, 2 March 2022 | Cairo, Egypt

Macro Group Pharmaceuticals (Macro Capital) S.A.E (“Macro” or the “Group”), one of the largest and fastest-growing cosmeceutical companies in Egypt, announces today its financial and operational performance review for the year ended 31 December 2022, with total revenues coming in at EGP 729.6 million, up by 23% YoY driven by an increase in average pricing by 26% YoY on the back of a successful drive to preserve Group margins amid accelerating inflation. Net profit grew by 18% YoY to record EGP 173.9 million in FY22, yielding a net profit margin of 23.8%, down 1.1 pps YoY. Excluding the effects of one-time IPO and ESOP expenses, normalized net profit¹ recorded EGP 193.0 million in FY22, up by 8% YoY with a corresponding net profit margin of 26.5%, down 3.6 pps YoY.

Financial & Operational Highlights

EGP 730 mn FY22 Revenues ¹	EGP 562 mn FY22 Gross Profit	EGP 280 mn FY22 Adjusted EBITDA ¹	EGP 174 mn FY22 Net Profit
▲ 23% YoY	▲ 19% YoY / 77.0% Margin	▲ 10% YoY / 38.4% Margin	▲ 18% YoY / 23.8% Margin
EGP 193 mn FY22 Normalized Net Profit ¹	EGP 0.30/0.33 FY22 EPS/Normalized EPS ²	18.0 mn units FY22 Volume Sold	149 SKUs No. Active SKUs
▲ 8% YoY / 26.5% Margin	▲ 18% YoY / ▲ 8% YoY	▼ 3% YoY	+30 Launched in FY22

Key Developments

- New Launches.** A total of 30 SKUs were launched in FY22, with 11 products launched during the fourth quarter of the year, including 6 skin care products, 2 female and intimate care products, 2 antiseptics and 1 new nutraceutical, bringing the total number of active SKUs under Macro’s portfolio to 149 as at 31 December 2022. 35 more products are slated for launch in the near-to-medium term.
- Expansion.** In line with its inorganic expansion, strategy, Macro also acquired a nutraceutical company, Zimmer, at an acquisition value of EGP 3 million to complement its product offering.
- Exports.** Export sales saw an exceptional growth in FY22 to reach EGP 30.5 million, up from EGP 6.8 million during the year. following the hiring of a new export manager responsible for acquiring new contracts across the Middle East and Africa in order to reduce Macro’s exposure to recent rounds of currency devaluations.
- Operating Margins.** Macro saw its gross profit increase by 17% YoY coming in at EGP 554.8 million in FY22, and yielding a gross profit margin of 76.0%, down by 3.7 pps on the back of the significant price hikes in raw materials resulting from the ongoing inflationary and currency pressures. Adjusted EBITDA recorded EGP 280.4 million during the same year, climbing 10% YoY and reflecting a corresponding EBITDA margin of 38.4%, down 4.4 pps primarily due to a 0.6 pps and 1.9 pps YoY increase in S&M and G&M expenses respectively as a percentage of sales.

¹ Adjusted for IPO fees & ESOP expenses

² Based on the weighted average number of shares outstanding, with 7,152,044 of treasury shares purchased by Macro Group between March and June of 2022

Message from our Chairman

With 2022 coming to an end, I am very pleased to report on what has been a successful year as Macro achieved a robust financial and operational growth with revenues up by 23% YoY, which filtered down to a bottom-line growth of 18%, amidst ongoing macroeconomic challenges. Our success is a testament to our steadfast commitment to sustainable growth, as we faced these hardships head-on, adjusting our business model in a way that optimizes our production cycle to continue delivering high quality cosmeceutical products, amidst the current inflationary pressures.

We successfully introduced 30 new products to the market during the year, of which more than one third were launched during the last quarter alone. The fourth quarter was primarily focused on the launch of new skin care products, which continue to be our highest revenue driver, with 6 new SKUs launched over the period under multiple brands. We also launched 2 new female intimate care products, including Gold Extend PH8, the latest launch under our flagship feminine hygiene brand, and the only product of its kind in the Egyptian market. The last quarter in 2022 saw us launch 1 nutraceutical SKU, Frost Act, with additional nutraceutical launches in our near-term pipeline. Used to preserve remaining cartilage and improve physical function for people with osteoarthritis, the launch of Frost Act also falls in line with our hybrid marketing strategy.

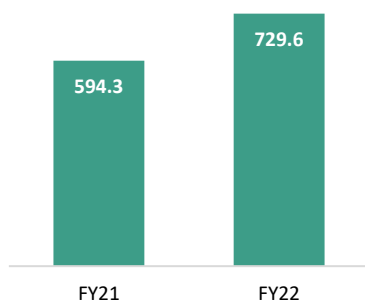
As part of mitigating the recent rounds of currency devaluation, we took this as an opportunity to further expand our geographical footprint in a bid to increase revenues from exports. Accordingly, we hired a specialized export manager to lead the company in acquiring new contracts across the Middle East and Africa region which, as a result, quadrupled our export sales during the year and increased our access to hard currency, cushioning foreign exchange fluctuations and making it easier in acquiring the necessary imported raw materials for premium products.

As our first year as a publicly listed company draws to a close, I am certain that Macro has the potential to build on its success for many years to come. We are in the process of introducing 35 new products in the near-to-medium term, making this a very exciting period of growth for our company. We are committed to providing our customers with innovative products that meet their needs, while maximizing returns for our shareholders through a dynamic and sustainable business model. I would like to thank the management team and employees for their continuous hard work carving a niche for Macro Group in this exciting, fast-growing, beauty & wellness space. On behalf of the Board, I would also like to thank our shareholders for their continued support during this challenging period as we work towards sustainable growth and value creation.

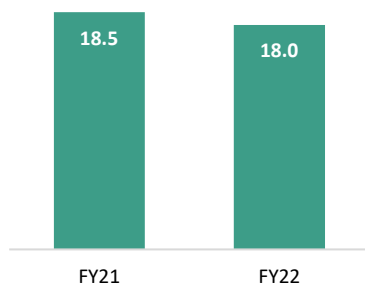
Dr. Ahmed Elnayeb, Chairman of Macro Group

Consolidated Financial Review

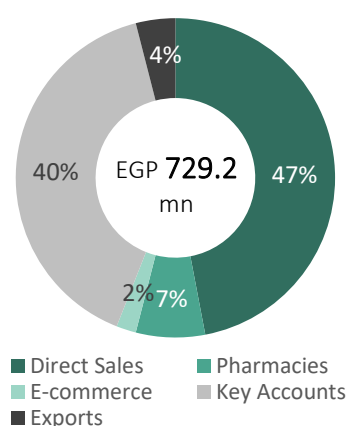
Revenue Progression
(EGP mn)



Volume Progression
(mn units)



FY22 Revenues
By Sales Channel



Revenues

Macro Group's total revenues came in at EGP 729.6 million in FY22, up by 23% YoY largely driven by an increase in average pricing of 26% YoY to reach EGP 40.6 per unit in FY22 compared to EGP 32.1 per unit recorded in the previous year. With overall market headwinds and inflationary pressures significantly affecting consumers' purchasing power, comprehensive marketing campaigns launched during the year saw Macro limit the decline in its overall volumes to 3% YoY at 18.0 million units.

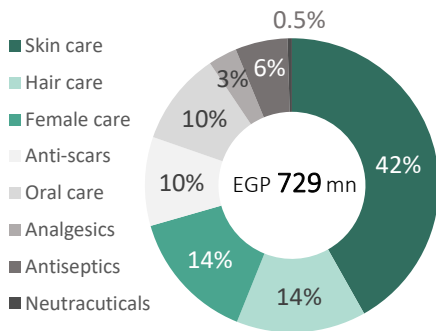
Revenues by Sales Channel

Macro Group sells its products through its direct distribution channels, which consist of sales to pharmacies, wholesalers, and through e-commerce, in addition to its indirect distribution channels, which comprise of key accounts and exports.

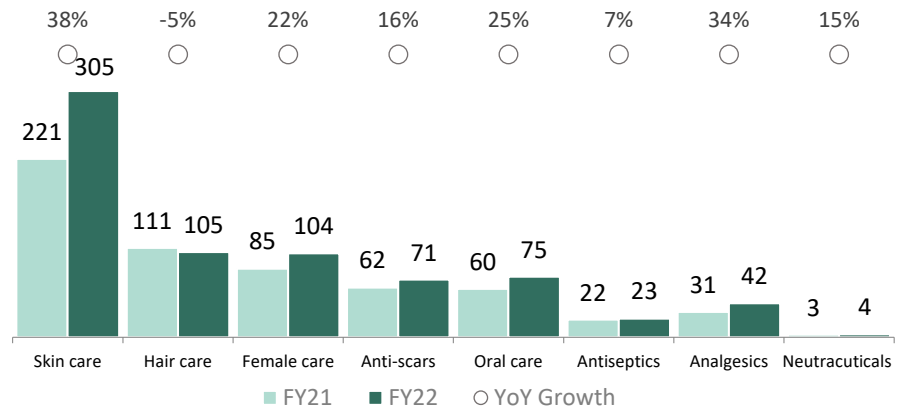
Direct Distribution Channels. Direct sales channels recorded revenues of EGP 405.6 million in FY22, growing by 11% YoY and contributing 56% to total revenues during the same period. Growth was primarily driven by increasing wholesale revenues of 24% YoY, and was further helped by the introduction of its e-commerce channel which generated sales of EGP 11.2 million during the year. Growth was partially offset by a 41% YoY decline in pharmacy sales in FY22, in line with Macro's temporary strategy to limit sales through the channel on the back of its relatively higher associated payback period.

Indirect Distribution Channels. Indirect distribution channels contributed 44% of total revenues, up by 5.8 pps YoY attributed to a 32% YoY increase in revenues from key accounts, coupled with a significant enhancement in export sales, which grew by more than four-fold during the same period as Macro further expanded its footprint across the Middle East and Africa to hedge itself against foreign currency risk. Growth in revenues from key accounts came in line with management's decision to allocate more of its sales to the channel as it is considered to be the most stable sales channel in the market.

FY22 Revenue Split
By Therapeutic Area



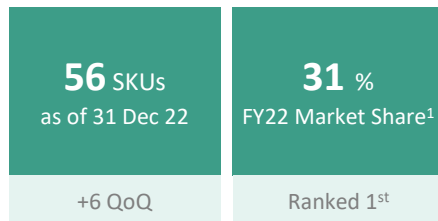
Revenues by Therapeutic Area



Revenues by Therapeutic Area

Skin care

Skin Care comprises products related to skin treatments and care, including skin emollients, lightening and acne treatment, with different forms and methods of application, including creams, liquids, gels, soaps, sprays, cleansers and serums targeting the A, B and C demographic segments.



Skin Care maintained its position as the leading therapeutic area in terms of revenue and growth contribution, with revenues up by 38% YoY to EGP 305.0 million in FY22, contributing 42% to total revenues and 62% to absolute revenue growth. Strong top-line growth was driven by a ramp up in average pricing, which increased by 40.0% YoY, and was partially offset by a 1.3% decline in volumes sold. Notably, 5 out of Macro's top 10 performing brands for the year were skin care brands, including Topi-gent, Synobar, Lit-up, Macro Panthenol and Tritect.

Female intimate care

Female intimate care comprises of cleansers, antifungals and others. Macro's female intimate care products enjoy high brand equity building from its flagship brand, Gold, Macro Group's second-highest selling brand across all of its segments in FY22, which is expected to support the segment's forward-looking growth.

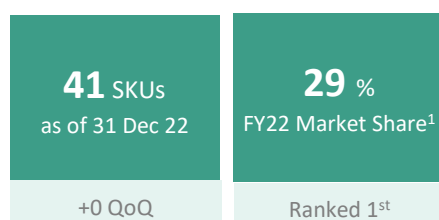


Female intimate care contributed 14% to consolidated revenues, coming in as the second-highest contributor to revenue growth at EGP 104.0 million in FY22, up by 22% YoY. While volumes remained relatively unchanged between FY21 and FY22, growth was driven by an increase in average pricing by 23% YoY backed by management's decision to implement price hikes on existing products, coupled with the introduction of new SKUs under its top-selling brand, Gold. 4Q22 saw Macro launch Gold pH8, used for severe cases of infection and currently the only product of its kind in Egypt, bringing up the number of products under the flagship brand to 7.

¹ Source: IQVIA. While the total market reflects the cosmeceutical/nutraceutical space in which the company operates in, The IQVIA universe used for this data reflects Macro's direct competitors.

Hair care

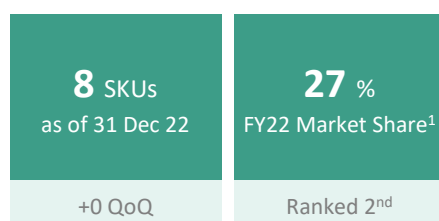
Macro Group offers a wide array of hair products including anti-hair loss treatments, hair strengthening and densifying products, anti-lice products and hair styling products in the form of shampoos, creams, oils, liquids, ampoules and sprays targeting the A, B and C demographic segments.



Hair care was the second-highest contributor to revenues during the year, despite a 5% YoY decline in revenues under the therapeutic area during the period to record EGP 105.4 million. Hair care was most affected by declining purchasing power, coupled with a shift in consumer preferences towards ampoules and creams over hair oils, the latter directly affecting the sales volumes of Vividol and Lindo. As a result, volumes were down by 23% YoY in FY22, which was partially cushioned by increased average prices. The planned introduction of new products which reflect changing consumer preferences is expected to bring about a recovery in volumes.

Anti-scars

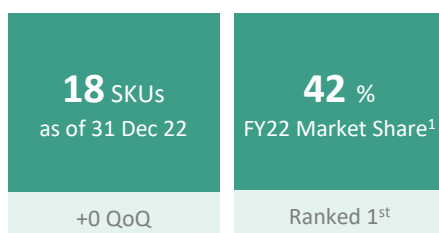
The anti-scar therapeutic area comprises of products related to scar management, burn treatment, post-acne scar prevention and wound healing, in the form of creams, gels, serums. Macro is reputed within the therapeutic area through its flagship brand, Scaro, which is considered the only locally produced anti-scar product.



Anti-scars recorded revenues of EGP 71.3 million in FY22, up by 16% YoY on the back of a 36% YoY increase in average pricing, which was partially offset by a 15% decline in volumes sold. As the third most popular brand across Macro's portfolio of products in terms of 2022 revenues, Scaro gel saw its local revenues grow by 49.5% YoY as a result of the significant currency devaluation throughout the year, with the product's only competitor in the market currently imported.

Oral care

Macro's oral care segment offers a wide range of oral care hygiene products, including mouthwashes, and oral antiseptics, with different forms and methods of application, primarily through its flagship brand Orovex, which is the highest selling brand across Macro's full portfolio.



Oral Care was the third-largest contributor to absolute revenue growth during the period with revenues up by 25% YoY to reach EGP 74.8 million in FY22. Revenue growth was driven primarily by a 22% YoY increase in average pricing, in line with the strategic decision to implement price hikes across key products. The launch of a successful marketing campaign during the year, coupled with the launch of 4 smaller-sized SKUs enabled Macro to preserve its sales volumes amid these price hikes, with volume sold up by 2% YoY during the same period.

Others

Analgesics recorded revenues of EGP 42.0 million in FY22, up 34% YoY during the year, driven by a 26% increase in average pricing, coupled with a 7% growth in volumes sold during the same period. Growth in pricing and volumes was attributed to new innovations under its flagship brand, Frost, developed to target an expanded universe to include physical therapists.

Antiseptics saw its revenues grow by 7% YoY to reach EGP 23.1 million in FY22, driven by an increase in average pricing of 11% YoY, which was partially offset by a decline in volumes sold by 4% YoY. It is worth noting that 2 new products were launched under its brand, Vakter, which provides medical grade antiseptics used in surgeries.

Revenues from **Nutraceuticals** recorded EGP 3.5 million in FY22, up by 15% YoY, driven by a ramp-up in average pricing by 30% YoY. The company introduced a new nutraceutical product, Frost Act, during the fourth quarter, in line with management's ongoing strategy to grow its presence within the therapeutic area.

¹ Source: IQVIA. While the total market reflects the cosmeceutical/nutraceutical space in which the company operates in, The IQVIA universe used for this data reflects Macro's direct competitors..

Gross Profit and Margin Progression

(EGP mn | %)



Gross Profit

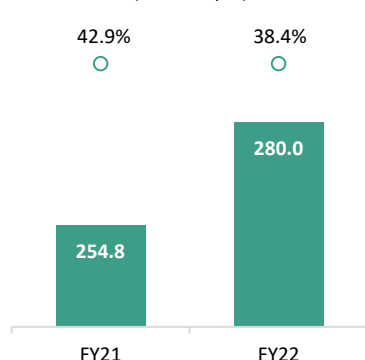
Macro's gross profit came in at EGP 561.6 million in FY22, up by 19% YoY, and reflecting a 3.8 pps YoY gross profit margin decline to 77.0%. Declining margins on the gross profit level was attributed to significant increases in the price of raw materials during the year, on the back of the global inflationary environment and currency devaluation.

SG&A Expense

Selling & marketing expenses came in at EGP 194.0 million, up by 26% YoY primarily due to the company's ongoing multi-channel marketing campaigns that were launched during the year to boost brand recognition. Meanwhile, general & administrative expenses recorded EGP 120.2 million in FY22, growing by 18% YoY partially driven by an increase in staff costs.

EBITDA and Margin Progression

(EGP mn | %)



Adjusted EBITDA

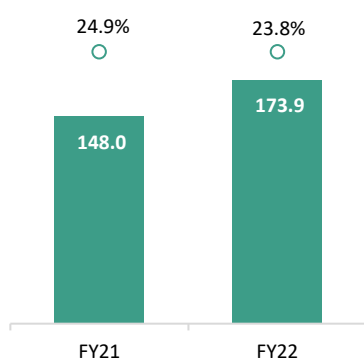
Adjusted EBITDA, which excludes one-time IPO & ESOP expenses of EGP 19.2 million, recorded EGP 280.0 million in FY22, up by 10% YoY, and yielding an EBITDA margin of 38.4%, down by 4.5 pps YoY, with the decline attributed to increasing G&A and S&M expenses as a percentage of sales by 1.9 pps and 0.6 pps YoY respectively.

Net Profit

Net profit recorded EGP 173.9 million in FY22, representing an increase of 18% YoY, and corresponding NPM of 23.8%, down 1.1 pps on the back of the decline in EBITDA, coupled with one-off ESOP expenses amounting to EGP 15.6 million incurred during the year. Normalized net profit, which excludes the impact of one-time IPO and ESOP expenses, recorded EGP 193.0 million in FY22, up by 8% YoY and translating to a net profit margin of 26.5%, down by 3.6 pps YoY.

Net Profit and Margin Progression

(EGP mn | %)



Cash Conversion Cycle

Macro's cash conversion cycle recorded 185 days in FY22, reflecting an increase of 40 days YoY primarily driven by a 101 day increase in inventory DIO in response to the company's decision to stock up on certain key raw materials to counter global shortages. This growth was partially offset by a 7-day decline in receivables DSO to come in at 201 days in FY22, coupled with an increase in payables DPO by 55 days to 313 days during the same period, with the latter a result of the company's strategy to obtain better credit terms with its suppliers and ultimately enhance its overall cash flows.

Total Debt

Macro's total debt, which consists of short-term loans (83% of total debt) and short & long-term lease liabilities (17% of total debt) stood at EGP 160.5 million as of 31 December 2022, up by more than 2-fold YoY. Growth was mainly driven by a 127% increase in short term debt to reach EGP 132.6 million as of 31 December 2022 in order to finance working capital needs. Net debt to EBITDA recorded a negative 0.1x as of 31 December 2022, due to an increase in cash and cash equivalents by more than two-fold, resulting in a net cash balance of EGP 26.2 million by the end of FY22.

Fixed Assets

Net fixed assets stood at EGP 39.7 million as of 31 December 2022, down 2% YoY, with CAPEX coming in at EGP 5.3 million during in FY22, down 8% YoY and representing maintenance expenditures. CAPEX as a percentage of sales recorded 0.7% in FY22, down 0.3 pps YoY.



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About Macro Group Pharmaceuticals (Macro Capital) S.A.E.

Established in 2005 as a joint partnership by Dr. Ahmed El Nayeb and his partner, Macro Group is one of the leaders in Egypt's fast-growing Cosmeceuticals space, with a market share of 31.4% recorded in 2022 according to IQVIA¹, based on the therapeutic areas in which it operates. The Company is principally engaged in the manufacture and sale of cosmeceutical and has recently ventured into nutraceutical products. While all of the Company's products are available over-the-counter, Macro Group also utilizes a prescription-based sales strategy and generates demand through an incentivized medical salesforce of more than 500 employees who target physicians and pharmacies nationwide. The majority of Macro Group's diverse portfolio of 149 marketed SKUs as of 31 December 2022 is manufactured in-house at its production facility in Badr City. The Company's local-brand portfolio includes household names such as Orovex, Gold, Scaro, Topi-Gent and Frost. By developing its own branded products which are both cosmetic and may help achieve a therapeutic effect, the Company offers an attractive value proposition and benefits from an advantageous regulatory framework for cosmetics as well as the defensive attributes and demand profile of prescription-based pharmaceuticals.

For more information about Macro Group, please visit: www.macro-egy.com.

¹ Source: IQVIA. While the total market reflects the cosmeceutical/nutraceutical space in which the company operates in, The IQVIA universe used for this data reflects Macro's direct competitors, significantly increasing Macro's market share from 2021.

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Shareholding Structure



Leo 1	54.2%
MEA Healthcare Partner	0.002%
Dr. Ahmed El Nayeb	0.0001%
Free Float	45.8%

Forward-looking Statements

This communication contains certain forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, and can be identified by the use of such words and phrases as “according to estimates”, “anticipates”, “assumes”, “believes”, “could”, “estimates”, “expects”, “intends”, “is of the opinion”, “may”, “plans”, “potential”, “predicts”, “projects”, “should”, “to the knowledge of”, “will”, “would”, or, in each case, their negatives, or other similar expressions that are intended to identify a statement as forward-looking. This applies, in particular, to statements containing information on future financial results, plans, or expectations regarding our business and management, our future growth or profitability and general economic and regulatory conditions and other matters affecting us.

Forward-looking statements reflect our management’s (“Management”) current views of future events, are based on Management’s assumptions, and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these forward-looking statements. The occurrence or non-occurrence of an assumption could cause our actual financial condition and results of operations to differ materially from, or fail to meet expectations expressed or implied by, such forward-looking statements. Our business is subject to a number of risks and uncertainties that could also cause a forward-looking statement, estimate, or prediction to become inaccurate. These risks include fluctuations in the prices of raw materials or employee costs required by our operations, its ability to retain the services of certain key employees, its ability to compete successfully, changes in political, social, legal, or economic conditions in Egypt, worldwide economic trends, the impact of war and terrorist activity, inflation, interest rate and exchange rate fluctuations, and Management’s ability to timely and accurately identify future risks to our business and manage the risks mentioned above.

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this document may not conform exactly to the total figure given.

Consolidated Income Statement

Macro Group Pharmaceuticals (Macro Capital) S.A.E - Consolidated statement of profit and loss for the year ended 31 December 2022

Consolidated Income Statement (EGP)	FY21	FY22	% CHG YoY
Sales Revenue	594,259,209	729,611,988	22.8%
COGS	(120,388,509)	(167,969,291)	39.5%
Gross Profit	473,870,700	561,642,697	18.5%
<i>Gross profit margin</i>	79.7%	77.0%	-2.8 pps
G&A Expenses ¹	(70,884,656)	(101,015,060)	42.5%
S&M Expenses	(154,427,462)	(194,001,137)	25.6%
Other Income – Net	125,509	2,200,472	1653.2%
Impairment Losses on Financial Assets	(502,554)	(3,151,646)	527.1%
Net Operating Profit	248,181,537	265,675,326	7.0%
<i>Net operating profit margin</i>	41.8%	36.4%	-5.3 pps
Add back: Depreciation Expense	6,601,181	14,302,340	116.7%
EBITDA	254,782,718	279,977,666	9.9%
<i>EBITDA margin</i>	42.9%	38%	-4.5 pps
Provisions	(13,857,180)	(12,155,913)	-12.3%
Finance income/(cost)	(7,157,209)	(6,998,102)	-2.2%
Employee Stock Ownership Plan (ESOP)	0	(15,618,788)	n/a
IPO Cost	(30,705,053)	(3,548,102)	-88.4%
EBT	196,462,095	227,354,421	15.7%
Income Tax	(48,494,508)	(53,475,420)	10.3%
Net Profit	147,967,587	173,879,001	17.5%
<i>Net Profit margin</i>	24.9%	23.8%	-1.1 pps

¹ Adjusted for IPO and ESOP expenses.

Consolidated Balance Sheet

Macro Group Pharmaceuticals (Macro Capital) S.A.E - Consolidated statement of financial position as at 31 December 2022

Consolidated Balance Sheet (EGP)	31-Dec-21	31-Dec-22	% CHG YoY
Inventories	65,616,582	138,732,545	111.4%
Trade and notes receivables	337,895,974	368,327,924	9.0%
Prepayments & other debit balances	12,230,850	38,694,998	216.4%
Due from related parties	0	0	n/a
Cash & cash equivalents	60,322,683	186,751,962	209.6%
Total Current Assets	476,066,089	732,507,429	53.9%
PP&E	40,723,171	39,780,295	
Right of use assets	13,607,968	25,126,285	84.6%
Intangible assets	0	5,522,310	
Goodwill	46,698,420	46,698,420	0.0%
Total Non-Current Assets	101,029,559	117,127,310	15.9%
Total Assets	577,095,648	849,634,739	47.2%
Trade and notes payable	38,216,608	65,958,116	72.6%
Accrued expenses & credit balances	48,075,144	79,981,357	66.4%
Short-term loans	58,384,170	132,635,100	127.2%
Provisions	15,549,180	24,362,440	56.7%
Dividends payable	0	4,000,000	n/a
Current income tax liability	42,243,771	51,882,680	22.8%
Short-term lease liability	3,557,764	7,244,222	103.6%
Total Current Liabilities	206,026,637	366,063,915	77.7%
Deferred income tax liability	1,878,128	0	-100.0%
Long-term lease liabilities	11,263,249	20,630,775	83.2%
Total Non-Current Liabilities	13,141,377	20,630,775	57.0%
Total Liabilities	219,168,014	386,694,690	76.4%
Paid-in capital	115,471,700	115,471,700	0.0%
Legal reserve	28,408,356	37,126,148	30.7%
Treasury shares	0	(24,866,586)	
Retained earnings	213,983,181	335,101,245	56.6%
Total Equity Attributable to Equity Holders	357,863,237	462,832,507	29.3%
Non-controlling interest	64,397	107,542	
Total Equity	357,927,634	462,940,049	29.3%
Total Liabilities & Equity	577,095,648	849,634,739	47.2%